

proposed rule change (SR-Phlx-2012-28) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>20</sup>

**Kevin M. O'Neill,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-66863; File No. SR-EDGA-2012-15]

### Self-Regulatory Organizations; EDGA Exchange, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Fees Associated With Receipt of the EDGA Book Feed

April 26, 2012.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 19, 2012, EDGA Exchange, Inc. (the "Exchange" or "EDGA") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of the Substance of the Proposed Rule Change

The Exchange proposes to amend its fee schedule applicable to Members<sup>3</sup> and non-Members of the Exchange to assess market data fees for internal and external distribution of the EDGA book feed ("EDGA Book Feed"). The text of the proposed rule change is available on the Exchange's Web site at [www.directedge.com](http://www.directedge.com), at the Exchange's principal office, and at the Public Reference Room of the Commission.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the

proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

#### A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

##### 1. Purpose

In SR-EDGA-2011-19,<sup>4</sup> the Exchange made available the EDGA Book Feed, a data feed that contains all orders for securities trading on the Exchange, including all displayed orders for listed securities trading on EDGA, order executions, order cancellations, order modifications, order identification numbers and administrative messages. The EDGA Book Feed offers real-time data, thereby allowing Member firms to more accurately price their orders based on EDGA's view of the depth of book information. It also provides Members an ability to track their own orders from order entry to execution. It is available in both unicast and multicast format. Upon the Exchange's initial offering of the EDGA Book Feed, such service was provided at no cost. In SR-EDGA-2011-19, the Exchange stated that "[s]hould EDGA determine to charge fees associated with the EDGA Book Feed, EDGA will submit a proposed rule change to the Commission in order to implement those fees."<sup>5</sup> This proposal is designed to implement fees for the receipt of the EDGA Book Feed.

The proposed rule change to the EDGA fee schedule codifies such a fee associated with the receipt of the EDGA Book Feed. The Exchange, like other market centers and other data providers, intends to assess fees for entities that receive real-time market data directly or indirectly and act as either internal or external distributors, as discussed below. A "Distributor" of Exchange data is any entity that receives an EDGA Book Feed directly from the Exchange or indirectly through another entity and then distributes such data either internally (within that entity) ("Internal Distributor") or externally (outside that entity) ("External Distributor"). All Distributors shall execute a Market Data Vendor Agreement with Direct Edge, Inc., acting on behalf of the EDGA Exchange. The amount of the monthly fees would depend on whether the distributor is an "Internal Distributor"

or "External Distributor." Internal Distributors are proposed to be charged \$500 per month and External Distributors are proposed to be charged \$2,500 per month. The fee paid by an External Distributor includes the Internal Distributor Fee and thus allows an External Distributor to provide data both internally (i.e., to users within their own organization) and externally (to users outside their own organization).

Additionally, Distributors will only pay one distributor fee, regardless of the number of locations or users to which the feed is received or distributed. In addition, neither Distributors nor their end-users will be charged per-user device fees when used to receive the EDGA Book Feed nor will they be charged per-user display fees when used to present the EDGA Book Feed.

The Exchange proposes to implement this rule change on May 1, 2012.

##### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act<sup>6</sup> in general and furthers the objectives of Section 6(b)(4)<sup>7</sup> in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. The Exchange makes all services and products subject to these fees available on a non-discriminatory basis to similarly situated recipients because the service is optional and fees charged for the EDGA Book Feed will be the same for both Members and non-Members. The fees are not unreasonably discriminatory and are equitably allocated. The fees for Members and non-Members are uniform except with respect to reasonable distinctions with respect to internal and external distribution.<sup>8</sup> The Exchange proposes charging External Distributors more than Internal Distributors because of higher administrative costs associated with monitoring External Distributors ongoing reporting, as provided in the Direct Edge Data Vendor Agreement and

<sup>6</sup> 15 U.S.C. 78f.

<sup>7</sup> 15 U.S.C. 78f(b)(4).

<sup>8</sup> The Exchange notes that distinctions based on external versus internal distribution have been previously filed with the Commission by NASDAQ Exchange ("NASDAQ"), NASDAQ OMX BX ("BX"), and NASDAQ OMX PSX ("PSX"). See Nasdaq Rule 7019(b). See also Securities Exchange Act Release No. 62876 (September 9, 2010), 75 FR 56624 (September 16, 2010) (SR-PHLX-2010-120). See also Securities Exchange Act Release No. 62907 (September 14, 2010), 75 FR 57314 (September 20, 2010) (SR-NASDAQ-2010-110). See also Securities Exchange Act Release No. 63442 (December 6, 2010), 75 FR 77029 (December 10, 2010) (SR-BX-2010-081).

<sup>20</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> A Member is any registered broker or dealer that has been admitted to membership in the Exchange.

<sup>4</sup> Securities Exchange Act Release No. 64792 (July 1, 2011), 76 FR 39959 (July 7, 2011) (SR-EDGA-2011-19).

<sup>5</sup> *Id.*

market data requirements referenced therein. The Exchange believes that the fees established for the EDGA Book Feed are reasonable and fair in light of alternatives offered by other market centers.<sup>9</sup> For example, PSX charges its data recipients of its book feed, PSX TotalView, a \$1,000 monthly fee to receive its data feed directly from the Exchange. If the data recipient then distributes the data, it pays an “internal” or “external” distributor fee depending on the method of distribution. These fees are on top of the \$1,000 monthly fee and amount to an additional

\$500/month for internal distributors and \$1250/month for external distributors. This would amount to total costs of \$1,500 monthly for internal distributors and \$2,250 monthly for external distributors that receive their feed directly from PSX. BX charges its data recipients and internal/external distributors the same fees for its book feed, BX TotalView. Finally, NASDAQ charges \$1,000/month for internal distributors of NASDAQ listed-security depth entitlements and \$500/month for internal distributors of non NASDAQ-listed security depth entitlements; for external distributors, NASDAQ charges \$2,500/month for NASDAQ-listed security depth entitlements and \$1,250/month for external distributors of non NASDAQ-listed security depth entitlements. These are on top of NASDAQ’s direct access fees of \$2,000/month for NASDAQ listed-security depth entitlements and \$1,000/month for non NASDAQ-listed security depth entitlements.<sup>10</sup>

Revenue generated from such fees will help offset the costs that the Exchange incurs in operating and regulating a highly efficient and reliable platform for the trading of U.S. equities. This increased revenue stream will allow the Exchange to offer an innovative service at a reasonable rate, structured in a manner comparable to and consistent with other market centers who provide similar market data products.<sup>11</sup>

The Exchange also believes that the proposed fees are consistent with Section 6(b)(5) of the Act,<sup>12</sup> as it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to and

facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. EDGA believes that this proposal is in keeping with those principles by promoting increased transparency through the codification of uniform fees for the EDGA Book Feed for all users and by clarifying the availability of the EDGA Book Feed to various market participants. In addition, EDGA has made a voluntary decision to make this Book Feed available. EDGA is not required by the Act in the first instance to make the data available. EDGA has chosen to make the Book Feed available to improve market quality, attract order flow, and increase transparency. It will continue to make such data available until such time as it changes its rule.

The Exchange also believes that the proposal is consistent with the goals of Regulation NMS,<sup>13</sup> namely facilitating efficiency and competition. Efficiency is promoted when Members who do not need the EDGA Book Feed data are not required to receive (and pay for) such data. The Exchange also believes that efficiency is promoted when Members may choose to receive (and pay for) additional market data based on their own internal analysis of the need for such data. Competition is promoted as the Exchange cannot set unreasonable fees without losing business to its competitors.<sup>14</sup>

#### *B. Self-Regulatory Organization’s Statement on Burden on Competition*

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

There is significant competition for the provision of market data to market participants, as well as competition for the orders that generate that data. In introducing the proposed fees for this service, the Exchange would be providing one similar to alternatives offered by other market centers.<sup>15</sup> The existence of such alternatives ensures

that the Exchange cannot set unreasonable fees, or fees that are unreasonably discriminatory, without losing business to these alternatives. Thus, the EDGA Book Feed will promote competition if it succeeds in providing market participants with viable and cost-effective alternatives which drive the market to continually improve products and services to cater to customers’ data needs.

#### *C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from Members or other interested parties.

#### **III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

The foregoing rule change has become effective pursuant to Section 19(b)(3) of the Act<sup>16</sup> and Rule 19b-4(f)(2)<sup>17</sup> thereunder. At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

#### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### *Electronic Comments*

- Use the Commission’s Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-EDGA-2012-15 on the subject line.

##### *Paper Comments*

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-EDGA-2012-15. This file

<sup>13</sup> See Securities Exchange Act Release No. 51808 (June 9, 2006), 70 FR 37496 (June 29, 2005).

<sup>14</sup> See *infra* discussion in section II.B. “Self-Regulatory Organization’s Statement on Burden on Competition.”

<sup>15</sup> See Nasdaq Rule 7019(b). See also Securities Exchange Act Release No. 62876 (September 9, 2010), 75 FR 56624 (September 16, 2010) (SR-PHLX-2010-120). See also Securities Exchange Act Release No. 62907 (September 14, 2010), 75 FR 57314 (September 20, 2010) (SR-NASDAQ-2010-110). See also Securities Exchange Act Release No. 63442 (December 6, 2010), 75 FR 77029 (December 10, 2010) (SR-BX-2010-081).

<sup>9</sup> *Id.*

<sup>10</sup> See Nasdaq Rule 7019(b).

<sup>11</sup> *Id.*

<sup>12</sup> 15 U.S.C. 78f(b)(5).

<sup>16</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>17</sup> 17 CFR 19b-4(f)(2).

number should be included on the subject line if email is used.

To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street NE., Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make publicly available. All submissions should refer to File Number SR-EDGA-2012-15, and should be submitted on or before May 23, 2012.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>18</sup>

**Kevin M. O'Neill,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-66865; File No. SR-MSRB-2012-03]

### Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Order Granting Approval of Proposed Rule Change Consisting of Establishment of a Subscription to Historical Information and Documents Submitted to the MSRB's Short-Term Obligation Rate Transparency System

April 26, 2012.

#### I. Introduction

On February 27, 2012, the Municipal Securities Rulemaking Board ("MSRB") filed with the Securities and Exchange Commission ("Commission"), pursuant

to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to establish a subscription to historical information and documents submitted to the MSRB's Short-Term Obligation Rate Transparency System. The proposed rule change was published for comment in the **Federal Register** on March 12, 2012.<sup>3</sup> The Commission received no comments on the proposed rule change. This order approves the proposed rule change.

#### II. Background and Description of Proposal

In January 2009, the MSRB implemented an electronic system to collect and disseminate information about securities bearing interest at short-term rates and making such information and documents publicly available through a dissemination service ("SHORT System"). In May 2011, MSRB enhanced the SHORT System to add documents to the information collected and disseminated. Information and documents collected by the SHORT System are made available for free on the MSRB's Electronic Municipal Market Access (EMMA<sup>®</sup>) Web site pursuant to the EMMA short-term obligation rate transparency service.<sup>4</sup> MSRB also makes the information and documents collected by the SHORT System available through a subscription service, which is available for an annual fee of \$10,000. The proposed rule change would clarify that subscribers to the SHORT subscription service would be able to access historical data for the most recent six months on a daily rolling basis and establish purchase agreements for historical products consisting of twelve consecutive complete month data sets of the documents and related indexing information collected by the SHORT System (the "SHORT Historical Data Product") dating to January 30, 2009.<sup>5</sup> The purpose of the proposed rule change is to provide another avenue for obtaining the information and documents provided through the SHORT subscription service, which is

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 66521 (March 6, 2012), 77 FR 14572 (the Commission's Notice").

<sup>4</sup> See Securities Exchange Act Release No. 59212 (January 7, 2009).

<sup>5</sup> The SHORT Subscriber Manual provides a complete, up-to-date listing of all data elements made available through the SHORT Subscription Service. The information provided in the SHORT Historical Data Product are the same as those currently provided in the SHORT Subscription Service.

currently only available on a current basis through the real-time data stream. A more complete description of the proposal is contained in the Commission's Notice.

#### III. Discussion and Commission Findings

The Commission has carefully considered the proposed rule change and finds that the proposed rule change is consistent with the requirements of the Exchange Act and the rules and regulations thereunder applicable to the MSRB.<sup>6</sup> In particular, the proposed rule change is consistent with Section 15B(b)(2)(C) of the Exchange Act, which provides that the MSRB's rules shall be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products, and, in general, to protect investors, municipal entities, obligated persons, and the public interest.<sup>7</sup>

The proposed rule change is also consistent with Section 15B(b)(3)(B)(ii) of the Exchange Act, which provides that the MSRB shall not be prohibited from charging commercially reasonable fees for automated subscription-based feeds or similar services, or for charging for other data or document-based services customized upon request of any person, made available to commercial enterprises, municipal securities market professionals, or the general public, whether delivered through the Internet or any other means, that contain all or part of the documents or information, subject to approval of the fees by the Commission under Section 19(b).<sup>8</sup>

The Commission believes that the proposed rule change is consistent with the Exchange Act. The proposed rule change would establish a subscription service that would make information collected by the SHORT System available to market participants as an additional avenue for obtaining information that is submitted to the EMMA short-term obligation rate transparency service. Broad access to the information collected by the SHORT

<sup>6</sup> In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

<sup>7</sup> 15 U.S.C. 78o-4(b)(2)(C).

<sup>8</sup> 15 U.S.C. 78o-4(b)(3)(B)(ii).

<sup>18</sup> 17 CFR 200.30-3(a)(12).